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COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Ecommerce retail sales to reach $27 trillion in 2022

Figures released by research firm Insider Intelligence indicate that global retail electronic commerce sales reached $26 trillion (tn) in 2021, constituting an increase of 9.7% from $23.7tn in 2020, and relative to a decline of 2.7% in 2020. It expected global retail ecommerce sales to increase by 5% to $27.3tn in 2022, to expand by 4.8% to $28.6tn in 2023, to rise by 4.9% to $30tn in 2024, and to grow by 4.1% to $31.3tn in 2025. Regionally, it estimated that retail ecommerce sales in the Middle East & Africa and in North America regions increased by 15.2% each in 2021, followed by Latin America (+12.2%), Western Europe (+7.2%), Asia-Pacific (+6.7%), Central & Eastern Europe (+4.8%), and Southeast Asia (+2.5%). In parallel, it projected retail ecommerce sales to increase by 16.1% in the Middle East & Africa region in 2022, to expand by 9% in Southeast Asia, to grow by 5.9% in Asia-Pacific, to rise by 5.5% in Latin America, to advance by 4.7% in Central & Eastern Europe, to appreciate by 2.6% in Western Europe, and to improve by 2.5% in North America. On a country basis, it forecast retail ecommerce sales in the Philippines to increase by 25.9% in 2022, followed by India (+25.5%), Indonesia (+23%), Brazil (+22.2%), Vietnam (+19%), Argentina (+18.6%), Malaysia (+18.3%), Thailand (+18%), Mexico (+18%), and the U.S. (+15.9%) as the fastest growing markets for retail ecommerce.
Source: Insider Intelligence

Merchandise exports of intermediate goods up 27% to $2.5 trillion in third quarter of 2021

Figures released by the World Trade Organization show that global merchandise exports of intermediate goods reached $2.5 trillion (tn) in the third quarter of 2021, constituting an increase of 27% from $1.97tn in the third quarter of 2020. It said that exports of intermediate goods in Asia stood at $1.1tn and accounted for 43.8% of aggregate intermediate goods' exports in the third quarter of 2021. Europe followed with $861bn (34.4%), then North America with $296bn (11.8%), South & Central America with $113bn (4.5%), and Africa with $67bn (2.7%). It noted that the value of exports of intermediate goods surged by 45% in South & Central America in the third quarter of 2021 from the same period of the previous year, followed by Africa (+42.6%), Asia (+28.5%), Europe (+23.5%), and North America (+20.3%). In parallel, it indicated that exports of other industrial supplies, such as raw and semi-manufactured materials, amounted to $1.23tn of aggregate intermediate goods exports, and accounted for 49% of the total in the third quarter of 2021, followed by parts and accessories, excluding transport equipment, with $676bn (27%), parts and accessories of transport equipment with $253bn (10.1%), ores, precious stones, and rare earths elements with $243bn (9.7%), and food & beverages with $104bn (4.2%). It added that global trade in other industrial supplies increased by 38% in the covered period, followed by intermediate goods for the food & beverages industry (+28.4%), parts and accessories of non-transport equipment (+21.1%), ores, precious stones, and rare earths elements (+15.7%), and parts and accessories of transportation equipment (+8.1%).
Source: World Trade Organization

Private debt funds raise $191bn in 2021

Figures issued by information provider PitchBook Data indicate that global private debt funds raised $191.2bn in capital in 2021, constituting an increase of 12.1% from $170.5 in 2020. Also, the number of private debt funds reached 185 last year and decreased by 45% from 336 of such funds in 2020. In comparison, 319 private debt funds secured $185.8bn in capital commitments in 2019 and 335 funds raised $175.5bn in 2018. On a regional basis, funds in North America raised nearly $124.3bn in capital in 2021 and accounted for 65% of the total, followed by funds in Europe with $57.4bn (30%), in Asia with $5.7bn (3%) and in Oceania with $3.8bn (1%). Further, there were 51 private direct lending funds, or 28% of the total number of private debt funds in the market in 2021, followed by general debt and real estate debt funds with 33 each (18% each), mezzanine and credit special situations funds with 20 each (10% each), distressed and venture debt funds with 10 each (5% each), infrastructure debt funds with 6 (3%), and bridge financing funds with 2 (1%). In parallel, global private capital dry powder, or the amount of capital available for fund managers to deploy, reached $169.2bn at the end of June 2021, representing an uptick of 1.4% from $166.8bn at the end of 2020.
Source: PitchBook Data

MENA

Democracy level in Arab world nearly unchanged in 2021

The Economist Intelligence Unit ranked Tunisia in 75th place among 167 countries worldwide and in first place among 20 Arab countries on its Democracy Index for 2021. Morocco followed in 95th place, then Mauritania (108th), Palestine (109th) and Kuwait (110th) as the five countries that have the most democratic systems in the region. In parallel, Sudan (145th), Saudi Arabia (152nd), Libya and Yemen (154th each) and Syria (162nd) have the least democratic systems among Arab countries. The index measures 60 indicators that are grouped in five categories that are the Electoral Processes & Pluralism, Civil Liberties, the Functioning of Government, Political Participation, and Political Culture. The Arab countries' average score stood at 3.26 points in the 2021 index, nearly unchanged from the 2020 index, and came lower than the global average score of 5.28, as well as below the average score of all other regions around the world. Further, the rankings of 17 Arab countries improved, two declined and one was unchanged; while the scores of seven Arab countries improved, five regressed and eight were unchanged from the 2020 survey. Qatar's rank jumped by 12 spots in 2021 and posted the best improvement in the Arab region, while Tunisia's rank registered a decline of 21 notches from the 2020 survey, the steepest drop among Arab peers. In parallel, Mauritania moved from the "authoritarian regime" category in 2020 to the "hybrid regime" segment in 2021, while Tunisia shifted from the "flawed democracy" system to the "hybrid regime" category, and Lebanon retreated from the "hybrid regime" segment to the "authoritarian regime" category. Also, Morocco remained in the "hybrid regime" category, while the other 16 Arab countries fell in the "authoritarian regime" segment.
Source: Economist Intelligence Unit, Byblos Research

OUTLOOK

GCC

Insurance premiums to reach $31bn in 2026, penetration rate at 1.5% of GDP

Alpen Capital projected gross written insurance premiums in the Gulf Cooperation Council (GCC) countries to increase from $26.5bn in 2021 to $31.1bn in 2026, and to post a compound annual growth rate (CAGR) of 3.2% during the 2021-26 period. It attributed the positive outlook on the sector to the ongoing population growth in the region, to the recovery in economic activity, to the reopening of the tourism sector, to the strong pipeline of infrastructure projects, as well as to the GCC governments' efforts to strengthen the sector's regulatory environment. It expected premiums generated in Kuwait to post a CAGR of 5.3% during the 2021-26 period, followed by Qatar at 4.7%, the UAE at 4.1%, Oman at 3.9%, Bahrain at 2.2%, and Saudi Arabia at 1.6%. It forecast premiums in the UAE to reach $14.4bn and to account for 46.5% of aggregate insurance premiums in the GCC in 2026, followed by Saudi Arabia with $10.8bn (35%), Qatar with $1.9bn (6%), Kuwait with $1.6bn (5.1%), Oman with $1.5bn (4.7%), and Bahrain with $0.8bn (2.7%).

Further, it anticipated non-life insurance premiums in the GCC to reach $26.5bn in 2026 and to grow at a CAGR of 3.1% during the 2021-26 period, supported by the rebound in economic activity, the rollout of new mandatory business lines, and the increase in infrastructure investments. It forecast life premiums at $4.6bn in 2026 and to expand at a CAGR of 3.8% during covered period. It also projected the life insurance segment to account for 14.7% of gross written premiums in 2026 relative to 14.2% in 2021.

In parallel, it forecast the insurance penetration rate, or premiums relative to GDP, to remain at 1.6% of GDP from 2021 to 2025 and to regress to 1.5% of GDP in 2026, due to low awareness about the importance of insurance products and the relatively underdeveloped life insurance market in the GCC. As such, it projected the penetration rates of life and non-life insurance to be broadly stable at around 0.2% of GDP and 1.3% of GDP, respectively, during the 2021-26 period. In addition, it anticipated non-life insurance density, or premiums per capita, to increase from $389.4 in 2021 to $411.3 in 2026, while it forecast the density of the life insurance segment to grow from $64.6 in 2021 to $70.7 in 2026.

Source: Alpen Capital

IRAQ

Real GDP growth projected at 5.5% in 2022, non-oil sector activity to recover slowly

Standard Chartered Bank projected Iraq's real GDP growth rate at 5.5% in 2022 and expected it to remain below the economy's historical growth trend of 7% annually. It said that the oil sector is benefiting from gradual increases in oil production under the OPEC+ agreement and anticipated the growth of the oil sector to be sustained throughout 2022, as Iraq begins to produce oil closer to its output capacity. Also, it expected activity in the non-oil sector to recover from the pandemic this year, supported by additional government spending. However, it considered that high coronavirus infection rates and low vaccination rates, as well as modest public capital expenditures and the slow implementation of reforms in the power and water sectors, will prevent activity in the non-oil sector from reaching its full potential. It added that investments in the hydrocarbon sector will continue to underpin Iraq's growth outlook in the medium term.

In parallel, it expected the authorities to adopt a pro-cyclical fiscal stance and to increase public spending amid higher oil prices and production. It projected the fiscal surplus to increase from 4.4% of GDP in 2021 to 8.4% of GDP in 2022. As such, it did not expect the government to resort to additional domestic or external borrowing, and for the authorities to pay the maturing part of the domestic debt that peaked at about 85% of GDP at end-2021. Also, it estimated that an increase of $10 per barrel in oil prices would translate into a rise in oil revenues equivalent to five percentage points (ppt) of GDP, while an expansion of 250,000 barrel per day in oil production would lead to an increase of about two ppts of GDP in oil receipts. Further, it projected the current account surplus at 6.5% of GDP in 2022, due to higher oil export receipts despite higher imports. It forecast foreign currency reserves to rise from $72bn at end-2021 to $75bn at end-2022, which would likely ease depreciation pressures on the Iraqi dinar.

Source: Standard Chartered Bank

ANGOLA

Reforms and higher oil prices to yield fiscal and current account surpluses in 2022 and 2023

Standard Chartered Bank indicated that the Angolan authorities have significantly stepped up reform efforts under the country's program with the International Monetary Fund that ended in November 2021. It indicated that real GDP growth stood at 0.8% year-on-year in the third quarter of 2021, the first expansion in the previous nine quarters. It projected real GDP growth to exceed 2% in 2022, as oil production stabilizes and the authorities' diversification efforts support non-oil activity. But it anticipated the high unemployment rate, which stood at 34% in the third quarter of 2021, to constrain growth. Further, it said that the inflation rate reached 27% annually at the end of 2021 despite the appreciation of the Angolan kwanza, due to weak local oil production, import restrictions, and higher global food and fuel prices. It forecast the inflation rate to average 19.6% in 2022 and 13.8% in 2023.

In parallel, it expected Angola to post robust fiscal and current account surpluses in 2022, as it revised upwards its projections for global oil prices to $75 per barrel (p/b) and $77 p/b in 2022 and 2023, respectively. As such, it forecast fiscal surpluses of 2.4% of GDP and 2.6% of GDP this year and next year, respectively, while it projected the current account to post surpluses of 8% of GDP and 6.5% of GDP in 2022 and 2023, respectively. Also, it indicated that the public debt level declined from 130% of GDP at the end of 2020 to about 85% of GDP at the end of 2021, but it anticipated debt servicing to remain elevated in coming years. It noted that Angola's external financing requirements will rise from an annual average of $6bn to $7bn in the 2022-24 period to more than $9bn in 2025. But it considered that the country is much better positioned than in the 2020-21 period to address these needs. In addition, it forecast the kwanza to appreciate from AOA566 per US dollar at the end of 2021 to AOA535 per dollar at end-2022 and to reach AOA572 per dollar at end-2023.

Source: Standard Chartered Bank

ECONOMY & TRADE

EGYPT

Improved policy effectiveness to support resilience to capital markets volatility

Moody's Investors Service anticipated that the expected increase in U.S. interest rates will result in a deterioration of global liquidity and the tightening of funding conditions, which will weigh on the credit profile of Egypt. It noted that the country has sizable annual financing needs, an elevated debt servicing-to-public revenues ratio, and a significant exposure to non-resident capital outflows. However, it expected Egypt to withstand the shock of higher U.S. interest rates due to its track-record of weathering through large capital outflows, to continued economic growth despite the COVID-19 outbreak, as well as to improved fiscal and monetary policy. In parallel, the agency anticipated that Egypt's inclusion in the JP Morgan Emerging Markets Government Bond Index will facilitate the further lengthening of the country's local-currency debt maturity profile, which would lead to lower annual rollover requirements and help reduce the elevated gross borrowing needs that it estimates at more than 30% of GDP. Also, it expected that the tight monetary policy stance that the Central Bank of Egypt has maintained last year will mitigate for pressures to increase domestic interest rates. Further, Moody's considered that the decline in foreign currency reserves from their level at the onset of the pandemic constitutes a risk to the ability of external buffers to simultaneously absorb potential capital outflows and cover upcoming external debt service payments. It pointed out that Egypt has $17bn in amortizations and $13bn in short-term debt that will mature in 2022. As such, it anticipated the Egyptian pound to face more significant depreciation pressures than during previous episodes of capital outflows, in case foreign exchange reserves decline to less than the $30bn threshold.

Source: Moody's Investors service

GHANA

Fiscal deficit projected at 9% of GDP in 2022, primary balance to post deficits in long term

Goldman Sachs indicated that the Ghanaian authorities have included in the 2022 budget a revenue-based consolidation plan in order to achieve a fiscal deficit of 7.4% of GDP. However, it projected a fiscal deficit of between 8.5% of GDP and 9% of GDP for 2022, given the country's poor track record of raising public revenues and the unorthodox nature of the measures proposed in the budget, amid significant political and implementation risks. It considered that the government's plans are insufficient to credibly address the country's rapidly rising debt servicing burden, which it forecast at 9.5% of GDP this year, and estimated that the government will achieve a smaller primary surplus than targeted in the 2022 budget. Further, it anticipated the primary balance to remain in deficit in the long term, and for rising borrowing costs to adversely impact debt dynamics. In parallel, it considered that the relatively comfortable level of foreign currency reserves provides a potential source of financing and gives the monetary authorities room to intervene in the currency market if needed. However, it noted that the adequacy level of foreign currency reserves will depend on the size and speed of further capital outflows in 2022. It anticipated that the fiscal and external financing requirements for 2022 may be challenging, given the expected absence of external financing sources.

Source: Goldman Sachs

TURKEY

Sovereign ratings downgraded on low liquidity and high inflation

Fitch Ratings downgraded Turkey's long-term local and foreign currency issuer default ratings (IDRs) from 'BB-' to 'B+', and maintained the 'negative' outlook on the ratings. Also, it affirmed the country's short-term local and foreign currency IDRs at 'B', and downgraded the Country Ceiling from 'BB-' to 'B+'. It attributed the downgrades to high inflation rates, low external liquidity and weak policy credibility. It said that the inflation rate rose to 48% in January, reflecting in part higher global commodity prices and supply chain disruptions, the continued exchange rate pass-through, rising inflation expectations, as well as increases in wages and utility prices. It forecast the inflation rate to reach 38% by the end of 2022 and to average 41% this year and 28% in 2023, the second highest level among all Fitch-rated sovereigns. Moreover, it anticipated that the authorities' expansionary policy mix, including deeply negative real rates, could keep the inflation rate at elevated levels and increase the exposure of public finances to the depreciation of the exchange rate and to inflation, which would weigh on domestic confidence and amplify pressures on international reserves. In parallel, the agency said that it could downgrade the ratings in case of an inflation-exchange rate depreciation spiral or weaker depositor confidence, if reduced access to external financing for the sovereign or to the private sector leads to balance of payments pressures, and/or if a serious deterioration in the domestic political or security situation severely affects the economy and external finances. In contrast, it said that it might upgrade the ratings if the authorities' policy mix restores investor confidence and reduces macroeconomic and financial stability risks.

Source: Fitch Ratings

UAE

New corporate income tax to have mixed impact on economy and sectors

S&P Global Ratings considered that the United Arab Emirates' (UAE) new corporate income tax rate of 9% on profits that exceed AED375,000, which will go into effect on June 1, 2023, will help diversify the government's revenue base and will support the fiscal positions of the seven emirates, especially the emirates of Sharjah and Ras-Al-Khaimah. It also expected the UAE's economic growth to improve if it earmarks the receipts from the tax to capital investments. It noted that the introduction of the new corporate tax will further align the UAE with international standards to combat tax avoidance. It added that the tax will be applied to all business and commercial activities except for the hydrocarbon sector, which will remain subject to emirate-level corporate taxation rather than to the new tax regime. It indicated that companies based in the free-zone areas will be taxed on income generated in the UAE only and will be required to file their income tax returns, which would increase the level of transparency and could help reduce concerns raised by the Financial Action Task Force against money laundering and terrorism financing. Further, it said that the tax will weigh on the profitability of banks, corporates, and insurers, but considered the impact on these sectors to be manageable. It stated that the new tax will not significantly affect the banks' creditworthiness, given their strong profitability.

Source: S&P Global Ratings

JORDAN

Construction and general trade account for 41% of lending at end-2021

Figures released by the Central Bank of Jordan indicate that credit facilities extended by commercial banks in Jordan totaled JD30.03bn, or $42.4bn at the end of 2021, constituting an increase of 5% from JD28.64bn ($40.4bn) at end-2020 relative to a rise of 5.7% in 2020. Loans in foreign currency represented 12.3% of the total at the end of 2021 relative to 12.2% a year earlier. The resident private sector accounted for 88.9% of total credit at end-2021, nearly unchanged from end-2020, followed by the central government with 6% compared to 6.3% at end-2020, public entities and the non-resident private sector with 2.3% each, and financial institutions with 0.4%. The distribution of credit by main sectors shows that construction represented JD7.72bn or 25.7% of the total at the end of 2021, up from 25.4% a year earlier, while public services & utilities accounted for JD4.6bn, or 15.3% of aggregate credit facilities. General trade followed with JD4.45bn or 14.8% of the total; then industry with JD3.49bn (11.6%); financial services with JD763.5m (2.5%); tourism, hotels & restaurants with JD713.5m (2.4%); agriculture with JD453.3m (1.5%); transportation with JD394.7m (1.3%), and mining with JD168.2m (0.6%). In parallel, loans & advances reached JD18.85bn at the end of 2021, followed by receivables of Islamic banks with JD8.05bn, overdrafts with JD2.7bn, credit cards with JD220.7m, and discounted bills with JD212.4m.

Source: Central Bank of Jordan

NIGERIA

Increase in NPLs to erode banks' capital buffers

The International Monetary Fund indicated that the Nigerian banking system has weathered the shock of the COVID-19 outbreak well, due to the ample pre-crisis buffers and the authorities' prudent credit policies during the pandemic. It added that the sector's capitalization is adequate overall, with the exception of some smaller undercapitalized banks. Also, it said that the non-performing loans (NPLs) ratio remained stable at about 6% during the pandemic, mainly due to the banks' conservative lending policies, regulatory forbearance measures, and the Central Bank of Nigeria's (CBN) credit intervention programs. It added that rising e-banking revenues have supported the profitability of the banking sector, although earnings vary considerably across banks. In addition, it noted that the loan and deposit dollarization rates have regressed by about five percentage points during the pandemic to 32% and 21%, respectively, which reduces the risks of a possible exchange rate depreciation on the ability of borrowers to repay their foreign currency loans. Also, it anticipated that regulatory forbearance and a protracted period of low interest rates may lead to a buildup of systemic risks through high corporate indebtedness and compromised credit standards. It added that restructured loans account for about 25% of the banking sector's lending. In parallel, it indicated that the CBN has conducted stress tests that show that a doubling of NPLs and a significant migration of restructured loans to NPLs would erode the system's capital buffers. Further, the IMF encouraged authorities to step up efforts to improve the effectiveness of the anti-money laundering and combating the financing of terrorism framework.

Source: International Monetary Fund

UAE

Banks to benefit from rise in interest rates

S&P Global Ratings expected banks in the United Arab Emirates (UAE) to benefit from the U.S. Federal Reserve's upcoming increase in interest rates, which would trigger a similar response by the Central Bank of the UAE, given the peg of the UAE dirham to the US dollar. It indicated that banks in the UAE are highly efficient and profitable and are well capitalized, which will provide them with an effective cushion against unexpected credit risks. Also, it estimated that an increase in interest rates by 100 basis points (bps) would lead to a rise of 15% in the banks' net income and to an uptick of 1.4 percentage points in their return on equity. However, it expected the rise in interest rates to indirectly affect the banks' profitability through the increase in the cost of risk from lending to retail and small- and medium-sized enterprises. It forecast the overall impact on the banks' non-performing loan ratios to be minimal. Also, it projected the cost of risk to slightly increase from 116 bps in 2021 to between 120 bps and 130 bps in 2022, as authorities lifted support measures at the end of 2021 and banks reclassified loans extended to companies in vulnerable sectors. In contrast, it considered that banks are more exposed to the swings in the economic cycle and the loss of income of retail clients than to rising interest rates. In addition, it forecast current and saving deposit accounts at banks to shift to time deposits if interest rates increase, which could raise the banks' cost of funding.

Source: S&P Global Ratings

MOROCCO

Banks' capital adequacy ratio at 16% at end-June 2021, NPLs ratio at 9%

The International Monetary Fund considered that Bank Al-Maghreb (BAM) provided exceptional support to the Moroccan banking sector through regulatory measures, in order to contain the economic impact of the COVID-19 pandemic. Further, it said that credit growth was subdued in 2021 amid elevated provisioning that reached 68.6% of non-performing loans ratio (NPLs) at end-June 2021. It noted that the NPLs ratio increased from 7.5% prior to the pandemic to 8.8% at end-October 2021, given that authorities lifted forbearance measures in 2020. It added that the rise in the NPLs ratio will lead to the further deterioration in the banks' asset quality. As a result, it indicated that banks increased sharply their provisioning to mitigate the effect of loan losses. Also, it urged BAM to put in place a framework for managing distressed assets. In parallel, it indicated that the banking sector is well capitalized, with a capital adequacy ratio of 16% at end-June 2021, well above the minimum regulatory requirement. It added that the banks' Tier One capital ratio was 11.9% and their capital-to-assets ratio was 9.5% at end-June 2021. It noted that the banks' cost of risk was 0.9% at end-June 2021, down from 1.3% at end-2020. Also, it said that banks have improved their liquidity ratios, as liquid assets were equivalent to 16.4% of total assets at end-June 2021 compared to 14% at end-2019, driven by the support of BAM. It added that liquid assets were equivalent to 20.3% of short-term liabilities, and that the ratio of customer deposits to loans was 103.2% at end-June 2021 relative to 101.1% at end-2019. In addition, it urged authorities to create fiscal space to provide capital to systematically important banks.

Source: International Monetary Fund

ENERGY / COMMODITIES

Oil prices to average $88 p/b in first quarter of 2022

ICE Brent crude oil front-month prices averaged $96.48 per barrel (p/b) on February 14, 2022, their highest level since September 2014, constituting an increase of 24% from $77.8 p/b at the end of 2021 and a surge of 49.7% from a year earlier, driven mainly by fears that Russia could invade Ukraine in the near term, which will result in supply disruptions from Russia, one of the world's largest oil producers. Further, JP Morgan Chase indicated that shortfalls in OPEC+ production and low spare capacity will keep the oil market tight in 2022. It added that underinvestment in fossil fuels sources in OPEC+ countries and the post-pandemic rise in oil demand could exacerbate the energy crisis. As such, it expected oil prices to reach $125 p/b in at the beginning of the second quarter of 2022. In parallel, Emirates NBD Bank projected the global demand for oil to decrease from 4.8 million barrels per day (b/d) in the first quarter of 2022 to 1.4 million b/d in the fourth quarter of the year, as it forecast global demand to return to pre-pandemic levels. It projected the global oil supply to increase by 2 million b/d in 2022. Also, it revised upwards its oil price projections, due mainly to increasing geopolitical tensions in Eastern Europe, to the assumption that Russian exports of energy commodities could be subject to U.S. sanctions, and to the increasing oil demand from industrial firms. It added that the revival of the Joint Comprehensive Plan of Action with Iran, as well as the upcoming monetary tightening by the U.S. Federal Reserve, pose downside risks to oil prices. It projected oil prices to average $88 p/b in the first quarter of 2022 and $78 p/b in the remainder of the year.
Source: JP Morgan Chase, Emirates NBD Bank, Refinitiv, Byblos Research

Gold demand in Middle East up 26% in 2021

Consumer demand for gold in the Middle East, which includes demand for jewelry as well as for bars and coins, totaled 214.5 tons in 2021, constituting an increase of 25.8% from 170.5 tons in 2020. Gold demand in the region accounted for 7% of the global consumption of the precious metal in 2021. Consumer demand for gold in Iran reached 51.8 tons and represented 24% of the region's aggregate demand in 2021, followed by Saudi Arabia with 44.2 tons (20.6%), the UAE with 41.6 tons (19.4%), Egypt with 30.3 tons (14.1%), and Kuwait with 16.5 tons (7.7%).
Source: World Gold Council, Byblos Research

ME&A's oil demand to expand by 3% in 2022

The Organization of Petroleum Exporting Countries (OPEC) projected the consumption of crude oil in the Middle East & Africa to average 12.65 million barrels per day (b/d) in 2022, which would constitute an increase of 3.3% from 12.24 million b/d in 2021. The region's demand for oil would represent 23.3% of demand in non-OECD countries and 12.5% of global consumption this year.
Source: OPEC

Global demand for natural gas to increase by 1.5% in 2022

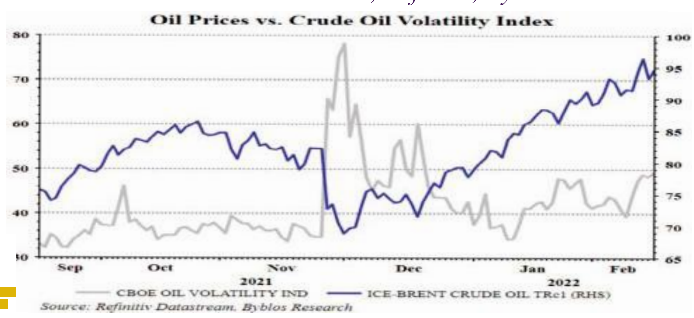
The International Energy Agency projected global natural gas demand to increase by 62 billion cubic meters (bcm), or by 1.5%, to 4,125 bcm in 2022. It anticipated demand for natural gas in North America to reach 1,078 bcm in 2022 and to represent 26% of the world's aggregate demand, followed by Asia Pacific with 954 bcm (23%), Eurasia with 665 bcm (16%), the Middle East with 583 bcm (14%), and Europe with 534 bcm (13%).
Source: International Energy Agency, Byblos Research

Base Metals: Copper prices to average $10,500 per ton in first quarter of 2022

LME copper cash prices averaged $9,839 per ton in the first six weeks of 2022, constituting an increase of 22.8% from an average of $8,011.8 a ton in the same period of 2021. Supply disruptions and expectations of robust demand drove the surge in prices, amid the anticipated stronger global economic recovery. Also, copper prices declined to $10,034.8 a ton on February 16, 2021 from an all-time high of $11,299.5 per ton on October 18, 2021, as a slowdown in economic activity in China put pressure on the metal's price. In parallel, Citi Research projected global demand for refined copper to reach 25.18 million tons in 2022, up by 2% from 24.7 million tons in 2021. Further, it expected global refined copper production to grow by 2.6% from 24.45 million tons in 2021 to 25.1 million tons in 2022, with mine production representing 86.5% of the total. As such, it forecast the deficit in the copper market to narrow from 218,000 tons in 2021 to 98,000 tons in 2022. Also, it revised upwards its forecast for copper prices from $8,800 per ton to $11,000 a ton for the next three months, driven by the easing of credit conditions in China, the world's largest consumer of the metal. However, it considered that global logistical issues that have restrained the demand for the metal pose downside risks to the metal's price. Further, it projected copper prices to average $10,500 per ton in the first quarter and $10,750 a ton in the second quarter of 2022.
Source: Citi Research, Refinitiv, Byblos Research

Precious Metals: Palladium prices to average $1,940 per ounce in first quarter of 2022

Palladium prices averaged $2,127.1 per troy ounce in the first six weeks of 2022, constituting a decrease of 9.8% from an average of $2,357.4 an ounce in the same period last year. The decline in prices was mainly due to global chip shortages, as well as to the substitution of palladium to platinum in catalytic converters. In fact, about 80% of demand for palladium originates from the automotive sector, where the metal is used as a key component of pollution-control devices in vehicles. In parallel, Standard Chartered Bank projected global demand for palladium to reach 10.8 million ounces in 2022 and to increase by 7% from 10.1 million ounces in 2021. It attributed the expected rise in demand to a surge in investments in palladium-backed exchange-traded funds, as outflows will shift to inflows, as well as to a 7.3% rise in autocatalyst demand. It forecast the global supply of palladium to increase by 7.5% from 9.9 million ounces in 2021 to 10.6 million ounces in 2022, with mine output representing 65.3% of the total. Also, it indicated that geopolitical tensions between Russia and Ukraine are weighing on the metal's price, given that Russia accounts for 35% to 40% of palladium production, and expected the palladium market to remain undersupplied for the 11th consecutive year in 2022. In addition, it forecast palladium prices to average $1,940 per ounce in the first quarter and $2,075 per ounce in the second quarter of 2022.
Source: Standard Chartered Bank, Refinitiv, Byblos Research



COUNTRY RISK METRICS

Countries	LT Foreign currency rating S&P	Moody's	Fitch	CI	IHS	General gvt. balance/ GDP (%)	Gross Public debt (% of GDP)	Usable Reserves / CAPs* (months)	Short-Term External Debt by Rem. Mat./ CARs	Gvt. Interest Exp./ Rev. (%)	Gross Ext. Fin. needs / (CAR + Use. Res.) (%)	Current Account Balance / GDP (%)	Net FDI / GDP (%)
Africa													
Algeria	- -	- -	- -	- -	B+ Negative	-6.5	-	-	-	-	-	-10.8	1.1
Angola	B- Stable	B3 Stable	B- Stable	- -	CCC Negative	-1	111.2	7.8	62.6	40.4	101.0	-4.0	1.5
Egypt	B Stable	B2 Stable	B+ Stable	B+ Stable	B+ Stable	-8.0	90.2	5.6	68.6	50.1	121.1	-3.5	1.9
Ethiopia	CCC Negative	Caa1 RfD***	CCC -	 -	B+ Negative	-3.4	34.3	2.0	60.4	5.0	169.5	-6.5	2.6
Ghana	B- Stable	Caa1 Stable	B- Negative	- -	BB- Negative	-7.5	71.7	2.6	42.3	53.2	121.4	-3.1	3.8
Côte d'Ivoire	- -	Ba3 Stable	BB- Stable	- -	B+ Stable	-4.1	43.2			14.3		-3.5	1.4
Libya	- -	- -	- -	- -	CCC Negative	-	-	-	-	-	-	-	-
Dem Rep Congo	B- Stable	Caa1 Stable	- -	- -	CCC Stable	-0.8	13.17	0.49	7.88	2.16	116.35	-4.3	3
Morocco	BBB- Negative	Ba1 Negative	BB+ Stable	- -	BBB Negative	-5.0	68.2	5.3	35.1	8.6	99.0	-5.3	1.5
Nigeria	B- Stable	B2 Stable	B Stable	- -	B- Negative	-4.5	46.0	4.1	56.7	27.7	119.9	-1.7	0.2
Sudan	- -	- -	- -	- -	CC Negative	-	-	-	-	-	-	-	-
Tunisia	- -	Caa1 Negative	B Negative	- -	B+ Negative	-4.7	81.0	4.2	-	11.9	-	-8.3	0.5
Burkina Faso	B Stable	- -	- -	- -	B+ Stable	-5.4	51.3	0.4	22.3	7.1	134.0	-5.5	1.5
Rwanda	B+ Negative	B2 Negative	B+ Stable	- -	B+ Negative	-9.0	71.4	4.1	24.2	8.0	112.6	-10.7	2.0
Middle East													
Bahrain	B+ Stable	B2 Negative	B+ Stable	B+ Stable	B+ Negative	-6.8	115.4	-1.2	198.8	26.7	345.2	-6.6	2.2
Iran	- -	- -	- -	B Negative	B- Negative	-3.7	-	-	-	-	-	-2.0	1.2
Iraq	B- Stable	Caa1 Stable	B- Stable	- -	CC+ Stable	-8.0	78.1	-4.4	6.0	6.6	185.9	-2.4	-1.0
Jordan	B+ Stable	B1 Stable	BB- Negative	B+ Stable	B+ Stable	-3.0	93.9	1.0	86.0	11.9	182.9	-6.4	2.2
Kuwait	A+ Negative	A1 Stable	AA- Stable	A+ Stable	AA- Stable	5.7	20.2	1.7	77.9	0.6	157.3	-0.8	0.0
Lebanon	SD -	C -	C -	- -	CCC Negative	-10.0	190.7	2.3	168.0	68.5	236.7	-11.2	2.0
Oman	B+ Positive	Ba3 Negative	BB- Stable	BB Negative	BB- Negative	-11.3	84.3	1.4	47.1	12.4	146.6	-10.9	2.7
Qatar	AA- Stable	Aa3 Stable	AA- Stable	AA- Stable	A+ Negative	5.3	63.3	2.9	179.1	7.2	225.3	-1.2	-1.5
Saudi Arabia	A- Stable	A1 Stable	A Negative	A+ Stable	A+ Stable	-6.2	38.2	16.3	18.4	3.6	50.4	-0.6	-1.0
Syria	- -	- -	- -	- -	C Stable	-	-	-	-	-	-	-	-
UAE	- -	Aa2 Stable	AA- Stable	AA- Stable	AA- Stable	-1.6	40.5	-	-	2.5	-	3.1	-0.9
Yemen	- -	- -	- -	- -	CC Stable	-	-	-	-	-	-	-	-

COUNTRY RISK METRICS

Countries	S&P	Moody's	Fitch	CI	IHS	General gvt. balance/ GDP (%)	Gross Public debt (% of GDP)	Usable Reserves / CAPs* (months)	Short-Term External Debt by Rem. Mat./ CARs	Gvt. Interest Exp./ Rev. (%)	Gross Ext. Fin. needs / (CAR + Use. Res.) (%)	Current Account Balance / GDP (%)	Net FDI / GDP (%)
	LT Foreign currency rating												
Asia													
Armenia	B+ Positive	Ba3 Stable	B+ Stable	B+ Positive	B- Stable	-4.9	65.5	-	-	11.3	-	-6.7	1.6
China	A+ Stable	A1 Stable	A+ Stable	-	A Stable	-3.0	72.6	12.1	40.6	2.5	68.7	1.7	0.4
India	BBB- Stable	Baa3 Negative	BBB- Negative	-	BBB Negative	-10.0	89.6	9.5	41.7	31.6	79.5	-0.6	1.5
Kazakhstan	BBB- Stable	Baa3 Positive	BBB Stable	-	BBB- Negative	-1.7	32.0	5.1	30.8	7.3	95.6	-3.2	3.0
Pakistan	B- Stable	B3 Stable	B- Stable	-	CCC Stable	-8.0	89.4	1.9	41.5	45.9	127.7	-1.6	0.6
Central & Eastern Europe													
Bulgaria	BBB Stable	Baa1 Stable	BBB Stable	-	BBB Stable	-5.0	30.4	2.7	28.3	1.9	104.2	0.4	1.0
Romania	BBB- Negative	Baa3 Negative	BBB- Negative	-	BBB- Negative	-7.2	52.4	3.5	25.5	4.5	102.9	-5.1	2.0
Russia	BBB- Stable	Baa3 Stable	BBB Stable	-	BBB- Stable	-2.2	23.4	11.4	18.6	2.9	59.3	1.9	-0.8
Turkey	B+ Negative	B2 Negative	B+ Negative	B+ Stable	B- Stable	-4.0	38.5	-0.9	74.0	9.9	205.7	-4.2	1.0
Ukraine	B Stable	B3 Stable	B Stable	-	B- Stable	-5.3	67.3	4.5	56.5	7.9	115.7	-2.1	2.5

** Current account payments*
*** CreditWatch with negative implications*
****Review for Downgrade*
Source: S&P Global Ratings, Fitch Ratings, Moody's Investors Service, CI Ratings, IHS Markit, Byblos Research - The above figures are projections for 2020

SELECTED POLICY RATES

	Benchmark rate	Current (%)	Last meeting		Next meeting
			Date	Action	
USA	Fed Funds Target Rate	0.25	26-Jan-22	No change	N/A
Eurozone	Refi Rate	0.00	03-Feb-22	No change	10-Mar-22
UK	Bank Rate	0.5	02-Feb-22	Raised 25bps	N/A
Japan	O/N Call Rate	-0.10	18-Jan-22	No change	18-Mar-22
Australia	Cash Rate	0.10	01-Feb-22	No change	01-Mar-22
New Zealand	Cash Rate	0.75	24-Nov-21	Raised 25bps	23-Feb-22
Switzerland	SNB Policy Rate	-0.75	16-Dec-21	No change	24-Mar-22
Canada	Overnight rate	0.25	26-Jan-22	No change	02-Mar-22
Emerging Markets					
China	One-year Loan Prime Rate	3.70	20-Jan-22	Cut 10bps	21-Feb-22
Hong Kong	Base Rate	0.86	15-Mar-20	Cut 64bps	N/A
Taiwan	Discount Rate	1.125	23-Sep-21	No change	17-Mar-22
South Korea	Base Rate	1.25	14-Jan-22	Raised 25bps	24-Feb-22
Malaysia	O/N Policy Rate	1.75	20-Jan-22	No change	03-Mar-22
Thailand	1D Repo	0.50	09-Feb-22	No change	30-Mar-22
India	Reverse repo Rate	3.35	09-Feb-22	No change	N/A
UAE	Repo Rate	1.50	16-Mar-20	No change	N/A
Saudi Arabia	Repo Rate	1.00	16-Mar-20	Cut 75bps	N/A
Egypt	Overnight Deposit	9.25	03-Feb-22	No change	24-Mar-22
Jordan	CBJ Main Rate	2.50	01-Sep-21	Cut 100bps	N/A
Turkey	Repo Rate	14.00	17-Feb-22	No change	17-Mar-22
South Africa	Repo Rate	4.00	27-Jan-22	Raised 25bps	24-Mar-22
Kenya	Central Bank Rate	7.00	26-Jan-22	No change	N/A
Nigeria	Monetary Policy Rate	11.50	25-Jan-22	No change	22-Mar-22
Ghana	Prime Rate	14.50	31-Jan-22	No change	28-Mar-22
Angola	Base Rate	20.00	28-Jan-22	No change	N/A
Mexico	Target Rate	6.00	10-Feb-22	Raised 50bps	24-Mar-22
Brazil	Selic Rate	10.75	02-Feb-22	Raised 150bps	N/A
Armenia	Refi Rate	8.00	01-Feb-22	Raised 25bps	15-Mar-22
Romania	Policy Rate	2.50	09-Feb-22	Raised 50bps	05-Apr-22
Bulgaria	Base Interest	0.00	28-Jan-22	No change	25-Feb-22
Kazakhstan	Repo Rate	9.75	24-Jan-22	Raised 50bps	09-Mar-22
Ukraine	Discount Rate	10.00	20-Jan-22	Raised 100bps	03-Mar-22
Russia	Refi Rate	9.50	11-Feb-22	Raised 100bps	18-Mar-22

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